

Klamath Basin Restoration Agreement (KBRA) Special Interest Subsidies

Water Development Subsidy

- **\$92,500,000 to KWAPA** (an entity controlled by Klamath Project irrigators) for development and implementation of a Klamath Project water plan (Line 66, page 8, Appendix C-2, and Section 15.2, Page 66 of the KBRA).
 - The KBRA does not require any NEPA review, or other public oversight of the development of the plan, or expenditure of the funds. Plan review is limited to a 60-day review by the Bureau of Reclamation.
 - Parties to the KBRA must support funding to implement the water plan though no plan yet exists.
 - A scientifically based, permanent demand reduction program that includes conservation easements, updated conservation to irrigation systems, and water rights acquisition, etc. should be developed by the federal government with full public participation and review under NEPA; without this process, there is great risk that any KBRA water plan funding will result in a subsidy to Project irrigators without measurable public benefits, or worse, finance unsustainable ground water development in the region.

Power Subsidy

- **Over \$50,000,000 in power subsidies** (See KBRA Sections 14 and 17, and lines 72 -75 on Appendix C-2). These subsidies will be distributed to Klamath Project irrigators in Oregon and California, as well as certain Klamath County, off-project irrigators to reduce their power costs. \$7,690,000 of this sum will be direct payments to reduce power bills (Section 17.5), while \$42,498,000 (Section 17.7) will fund unspecified projects to generate renewable energy and increase energy efficiency to indirectly reduce power costs of Klamath Project and certain Klamath County irrigators.
 - Klamath Project irrigators and Klamath County off-project irrigators long enjoyed power rates considerably below market rates for other agricultural users under special contracts with PacifiCorp. Those contracts were terminated as discriminatory by the Oregon Public Utility Commission and the California Public Utility Commission in 2007. To prevent rate shock, the Oregon legislature passed legislation that ramps power rates up to market value for affected Klamath County Oregon over seven years; California Public Utility Commission gave California Klamath Project irrigators a four year ramping period.
 - Given the legal history on this issue, there is no public policy purpose for this KBRA subsidy. Rather, any such subsidy provides an unfair competitive advantage over other nearby farmers and ranchers, and encourages wasteful water and power use. Furthermore, such funding subsidizes draining national wildlife refuge lands for commercial agriculture rather than its intended purposes for fish and wildlife.
 - KBRA Section 17.6 provides that Klamath Project irrigators receive an allocation of power from the Bonneville Power Administration that will also provide them a lower preferential power rates from the Columbia River Hydropower System.

Pumping Cost Subsidy

- **Modifies existing contracts; increases the payment obligation by the USFWS and decreases the amount paid by Tule Lake Irrigation District** for D plant pumping (Section 15.4.2A).
 - This requirement likely violates current Reclamation law on cost sharing, therefore Section 15.4.6 circumvents the law by requiring the Secretary of Interior agree that the cost sharing agreements in the KBRA are not a “contract” as defined in the Reclamation Reform Act of 1982 (Public Law 97-293).
 - D plant pumping costs will increase by 6.5% for the USFWS and decrease by 6.5% for TID under the KBRA. The KBRA budget provides for \$170,000 per year to cover this cost (line 69, Appendix C-2).

Debt Forgiveness Subsidy

- Currently there exists a dispute between the federal government and Klamath Project irrigators on the amount of Klamath Project capital costs currently owed by Klamath Project irrigators to the United States, and how much of the leaseland revenue in the Reclamation Fund should be applied to the aforementioned capital costs. Rather than taxpayer protection, the **KBRA provides that the debt owed, though yet to be determined, will be forgiven** (KBRA, Section 15.4.4 A).

Leaseland Revenue Subsidy

- Approximately **60% of the net revenue from leasing refuge land for commercial farming are directed to the Bureau of Reclamation and applied to the benefit of Project irrigators.**
 - These revenues will cover costs of maintaining and operating Keno and Link River Dams (a cost that should be born by Project irrigators), and any remaining funds will either be applied to reduce future capital costs of the Project, or subsidize power costs to both on and off Project irrigators (Section 15.4.4 B and Appendix A, Section H).
- In addition, 20% of leaseland revenues are directed to USFWS, 10% to Tulelake Irrigation District (TID), and 10% to Klamath Drainage District (KDD).
 - TID and KDD represent the two irrigation districts, whose customers commercially farm the refuges.
 - These revenue allocations create agency dependence on leaseland agriculture for both the Bureau of Reclamation and USFWS. Harmful commercial agriculture on federal refuge land should be phased out, not used to subsidize Project operations or irrigators.
 - Federal legislation is necessary to implement this reallocation of leaseland revenues, as the provision is inconsistent with existing law.

Link River and Keno Dam Operations Subsidy

- **Bureau of Reclamation will be assume all costs** for operating Link River Dam and Keno Dam for Project diversion (Section 15.4.5 A).
 - PacifiCorp is not seeking a new license to generate power at Link River and Keno Dam. These dams also serve as diversion structures for the Klamath Irrigation Project.
 - At present, the cost of operating these facilities are currently paid by PacifiCorp; however, once they are used for irrigation purposes only, the federal government should not be fully responsible for this cost. Project irrigators should be required to pay their share as required under current cost-sharing laws.

Congressional action will be necessary to appropriate funds for the aforementioned KBRA subsidies. Action will also be required for legislation to allow federal agencies to enter into the special cost sharing contracts, debt forgiveness, and leaseland revenue sharing agreements. There is no policy reason or incentive to provide such substantial and long-term subsidies to the Project irrigators. Instead such action allows Project irrigators an unfair competitive advantage, encourages wasteful water and power use, facilitates continued commercial agriculture on National Wildlife Refuge lands, and discourages permanent water demand reduction, all at U.S. taxpayer expense.

In light of the push to ensure the Bureau of Reclamation is appropriately recovering costs on basin projects during the last decade, subsidies provided in the KBRA would set a terrible precedent, make it more difficult to balance the federal budget, and be at odds with groups working on Reclamation reform. Furthermore, these provisions are not appropriate for a FERC settlement regarding dam removal.